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FOREIGN SERVICE DESPATCH

Action Assigned to

FROM : AMEMBASSY, GUATEMALA — 659 DESP. NO. — Action Taken

TO : THE DEPARTMENT OF STATE, WASHINGTON. — January 30, 1953 DATE

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Office Symbol IAD

Name of Officer

SUBJECT: WEEKA NO. 5 - ECONOMIC SECTION

Direction to DC/R

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DECLASSIFICATION DATE 1/30/79
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SECTION II

Economic Development

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Bills designed to further economic development formed the bulk of legislation confronting the Special Session of the Guatemalan Congress which opened on January 23. The first item was the so-called "luxury" tax bill, which would increase import duties on about 370 items and would help finance the Government's $20,000,000 economic development plan announced last November (WEEKA No. 48). Its passage seemed virtually assured since it passed three of the four required readings in Congress without significant opposition. The Guatemalan press reported moves to eliminate some items from the list or add others but made no mention of the fact that several of the articles included on the list figure in the United States-Guatemala Trade Agreement.

Two bills showed the importance which the Government attaches to its highway construction program. One provided for the transfer to the Atlantic Highway of $1,000,000 originally budgeted for other Executive departments in order to "properly accelerate" the 100-day intensive work program which was scheduled to begin on January 1, 1953. The other bill declared highway construction to be a matter of national urgency and dealt with the expropriation procedure affecting lands needed for right-of-way. Its provisions would make landowners responsible for the maintenance of the right-of-way and drainage ditches and would permit of tolls to finance construction. Automobiles in transit would be subject to the tolls but those covered by international treaties would be exempt. It will be recalled that during the unsuccessful 1951 negotiations to amend the Inter-American Highway Agreement the United States requested that Guatemala declare the project to be of national urgency with the thought of

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employing foreign contractors and labor to accelerate construction.

In a newspaper interview Sr. Guillermo PALMIERI, Chief of the National Department of Tourism, said that he believed highway construction to be the major requirement for the development of Guatemala's tourist industry and that when the Pan American Highway was open and "middle-class" Americans could come to Guatemala in their own automobiles, tourism would become Guatemala's most important source of income.

During the week Sr. J. Roberto FANJUL, Minister of Economy, made public the charter of the Maderas de El Petén S.A. (PETENSA), a part Government-part private corporation to exploit the lumber resources of the Department of El Petén (WEEKA No. 47). The formation of the corporation was first announced in November 1952. Sr. Fanjul said that the charter would be presented to the Cabinet and to Congress for approval. It provides for a capital of $200,000 but states that $6,000,000 will be required to carry out the corporation's announced program and the board of directors is therefore authorized to arrange a $5,800,000 credit from "domestic or foreign banks". The press reported the International Bank for Reconstruction and Development as the likely source for the necessary funds.

Rudolf E. Schoenfeld

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